Letters fuel the humane society debate

Plan now to cut your 1990 taxes

Are there bad apples in your employee barrel?

veterinary economics

THE DAILY GAZETTE

SEPTEMBER 1, 1990

★★★EXTRA! EXTRA!★★★

LATEST VETERINARY EARNINGS REVEALED

New nationwide survey reports 1989 income of all practitioner types

MID-EASTERN STATES LEAD THE WAY IN REGION-BY-REGION COMPARISONS

Working longer hours doesn't lead to higher income

GENEVA, Kan.–Veterinarians who put in more than 40 hours a week report smaller paychecks that those who work 31 to 40 hours a week, according to the latest survey figures from VETERINARY ECONOMICS magazine.

Veterinary practitioners who work 31 to 40 hours per week take home an annual mean net income of $87,700. On the other end of the scale, those who work more than 70 hours per week produce a mean net income of $45,600.

Small animal practitioners devote an average 48.9 hours per week to their practices; those in large animal practice spend 56.6 hours per week; mixed animal doctors, 59.0 hours per week; and equine practitioners, 60.3 hours per week.

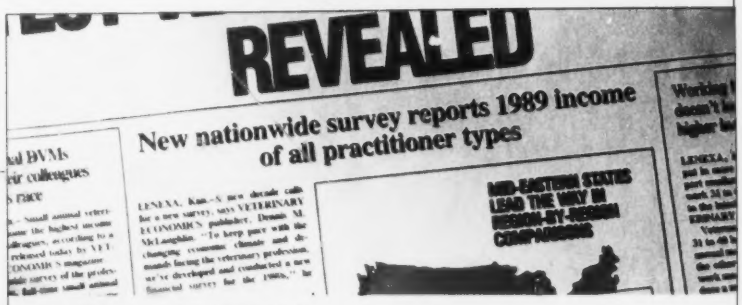
Emergency

Office Calls

Farm Calls

CONTENTS

VETERINARY ECONOMICS
SEPTEMBER 1990


REVEALED
New nationwide survey reports 1989 income of all practitioner types
MID-EASTERN STATES LEAD THE WAY IN REGION-BY-REGION COMPARISONS

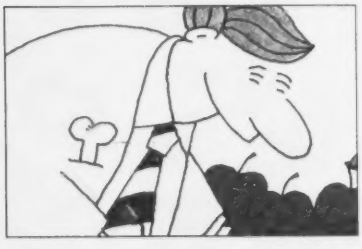
34 SPECIAL REPORT

Letters fuel the humane society debate

Emotions run high when the subject turns to humane society hospitals. Response to our June cover story was swift, thoughtful, and a clear indication that the problem is not easily solved.

58 PERSONNEL

Can you spot the bad apples in your employee barrel?



The author says that an employee's basic motivation for working in your practice indicates how much and how well that person will do. Use these guidelines to classify who is working for you—and *why*. Part one of two.

44 COVER STORY, PART 1

A new decade, a new data base

Beginning with our 1990 financial survey, which reports 1989 earnings, we start an all-new data base for the profession. Throughout the 1990s, we will compile financial reports that provide you with the information you need to assess your business status and to make management decisions accordingly.

48 COVER STORY, PART 2

On the road to higher incomes: Quality comes first

These leading veterinarians agree: Quality medicine and service will take top priority this decade. That means new demands for you, including developing a unique market niche, charging your worth, and improving your staff.

68 START-UPS

Are your ready to buy a shopping-center practice?

Last month we discussed how to start a practice from scratch in a strip center. Here, the authors explain what to consider if you plan to buy (or to sell) an existing leasehold practice.

74 HOSPITAL DESIGN

Persistence and ingenuity pay off in Memphis

Dr. Sally Beaumont battled local bankers for the financing to build her full-service hospital. But her patience and creativity helped her win in the end —and in hospital design.

Picture credits: page 88

DEPARTMENTS

6 Memo from the Editor
9 Forecasts
10 Noteworthy/Success File
12 Practice Management Q&A
20 Money Management Q&A
79 Design Notes
84 New for You
90 Classified

22 Marketing
Enhance the power of your reminders with an all-out, coordinated education campaign.

26 Tax Strategies
These tactics can decrease your taxes for 1990—and give you a head start for 1991.

80 Management Strategy
The author explains how and why his clients agree to presurgical testing.

96 Bull's Eye
This practitioner urges the profession to tell the truth to aspiring veterinarians.

MEMO FROM THE EDITOR

Keeping up with the Joneses

I had lunch a couple of months ago with Dr. D.L. Salsbury, who apparently caused quite an uproar with the client-service articles he wrote for VETERINARY ECONOMICS in the late '70s. I can tell from those articles that he didn't mince words then, and he certainly doesn't now: In discussing the management woes facing practitioners, he said, "You have to remember that the one thing they *don't* teach you in veterinary school is that when you graduate, you are responsible for signing your own paychecks."

The amount of those paychecks is revealed in this issue, with our annual presentation of veterinary earnings. I suspect that your first inclination will be to compare yourself to others—which is fine, because the survey is designed to be a barometer of the profession. But I encourage you to read the accompanying roundtable as well, and to give some serious thought to the current economic trends presented by the various participants. Why? Because more important than comparing yourself to each other is the need to compare yourself to *your clients*—do your services meet their needs and desires? Is your practice keeping up with the Joneses?

In 1977, Dr. Salsbury wrote, "Practically everything in animal agriculture has changed, *except* the veterinarian and his philosophy . . . Our primary problem is that we stubbornly refuse to accept or admit that our economic market is none other than the services dictated by client demands." Dr. Richard Thomes points out in 1990: "Veterinarians are realizing they must know what their clients want. Asking clients for input about your practice will help lead the practice where you want it to go . . . We've got to work with each client and offer them the best, because if we don't, someone else will. It's up to us to lead the profession into an age where a consistent client is our gold mine."

If you don't know what your clients want, then it's time to find out. Don't be caught with your head in the sand—or your income at the bottom of our charts.

Becky Turner

Rebecca R. Turner

veterinary economics

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Managing Editor: Catherine C. Lumetta
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Design Director: Gregory B. Kindred
Art Director: Alison J. Fulton
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Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

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VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive, Lenexa, KS 66215. Telephone (913) 492-4300.

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Price $6.00 a copy; $30 a year (U.S.A.); $45 a year (Canada and Mexico); $65 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second class postage paid at Shawnee Mission, Kan., and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215.

A Medical Economics Publication

A NEW DECADE, A NEW DATA BASE

Beginning with our 1990 financial survey, which reports 1989 earnings figures, we start an all-new data base for the veterinary profession. Throughout the 1990s, we will collect and compile financial reports designed to provide you and your colleagues with the information you need to assess your business status and to make management decisions accordingly.

Collecting financial data on the veterinary profession is nothing new at VETERINARY ECONOMICS. In fact, we've been doing it since 1983. In the last seven years, we've provided a yearly accounting of who makes what, who charges what, and who spends what. In doing so, we've provided veterinarians with a look at how they are doing as a profession and in relation to their colleagues.

What, then, is so different about this year? Three things. Our survey is now being conducted and compiled by Signet Research Inc., a Cliffside, N.J. company recently proclaimed by MAGAZINEWEEK "a shining leader in the marketing research business." The second change is the decision to report *mean* income figures rather than *median* income figures. (The difference is explained below.)

Finally, prior to mailing the survey, we combed through last year's questions and, with Signet's help, revised and updated the poll to make it more complete and easier to answer. In May, we mailed questionnaires to 2,000 veterinarians—a stratified random sampling from our circulation list—representing every practice type: small animal, large animal, mixed animal, and equine.

By the July 10 closing date, returns totaled 988—a 51-percent response rate. After discarding returns with apparent discrepancies or incomplete responses, and those from veterinarians who were not practicing full-time, the working sample consisted of 878 returns. Seventy-seven percent of the respondents were male. The people at Signet tell us that the survey results can be accepted as accurate to within ±4 percent, at a 95-percent confidence level.

To maintain the accuracy of the survey, our report contains only those figures that represent the responses of *at least* 50 veterinarians. When the base falls below that number, we report no figures at all. In this and all other areas, this survey conforms to generally accepted standards of professional research for mail surveys.

On averages

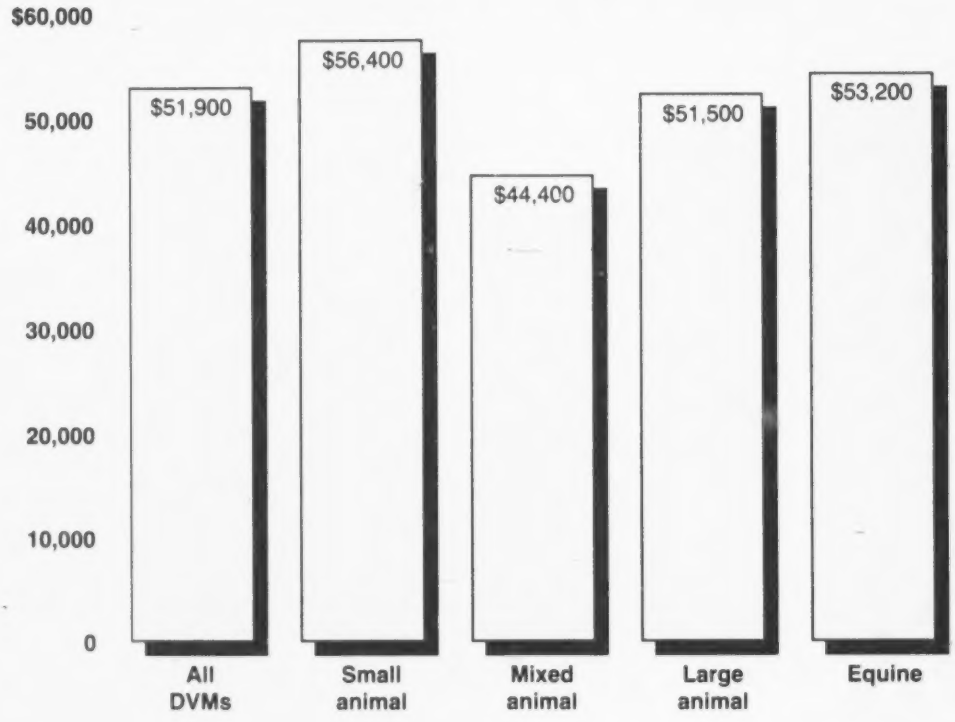
In past years, we've reported the *median* results in every category. The median is computed by finding the value that lies precisely between the highest and lowest values. Last year, for example, we reported that the 1988 median net income for all practicing veterinarians was $41,700. This figure represented the middle income figure of all the responses we received; in other words, half of the veterinarians in the country earned more than $41,700; half earned less.

This year, we are reporting *mean*, or average, income figures, which are calculated by adding together all of the income figures we received, and dividing by the number of responses. For example, the 1989 *mean* net income for all practicing veterinarians was $51,900. The *median* net income was $43,000.

As you can see, the higher numbers this year should not be read as a significant jump from last year. They are simply a different presentation of the survey data, and, as such, cannot be compared to last year's results. *Next* year, however, the comparisons will begin anew, with 1990 mean income figures compared to those of 1989.

Now, for this year's findings, plus a roundtable discussion on the trends likely to affect veterinary income in the 1990s, please turn the page! ▶

SMALL ANIMAL DOCTORS OUTPACE THEIR COLLEAGUES IN 1989 MEAN NET INCOME



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WOMEN DVMs' 1989 NET INCOME OFF THE PACE

Women	$36,700
Men	$56,100

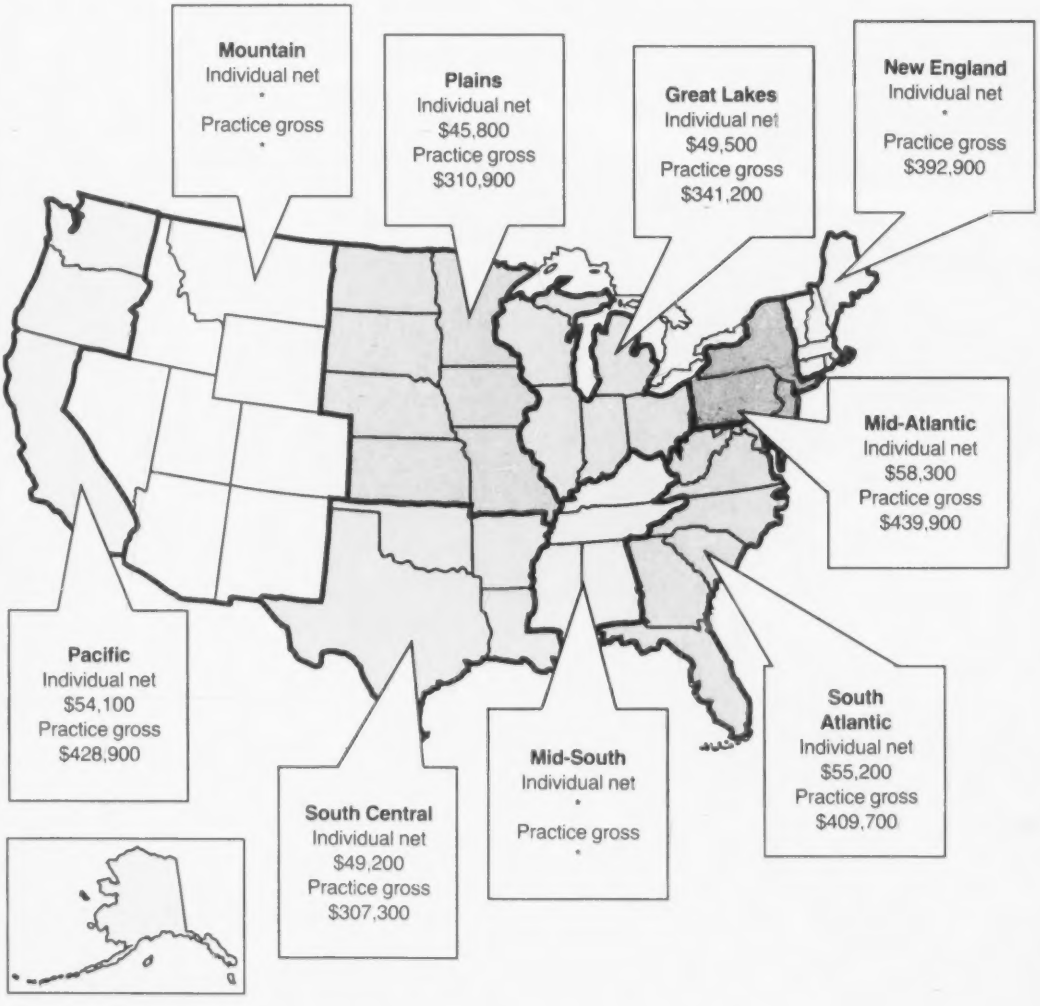
A NOTE ON NET

Net income is obtained via the following question: "Which of the following ranges best describes your 1989 net income from practice earnings (after tax deductible expenses but before income taxes). Please include only your take-home compensation. Do not include profits you reinvest in the practice."

All figures are means (averages).

MID-ATLANTIC STATES LEAD THE WAY IN PRACTICE GROSS AND TAKE-HOME PAY

The chart below provides a regional look at two distinct and unrelated figures: average *individual* net income, and average *total practice* gross. Note that categories with asterisks indicate that fewer than 50 veterinarians in that region responded to the question. Practitioners in those regions are advised to consult the practice-type figures on the opposite and following pages.



All figures are means (averages)
Net income figures represent indvidual income of full-time practicing veterinarians and are tabulated after tax-deductible expenses but before taxes.
*Base is insufficient.

ON THE ROAD TO HIGHER INCOMES: QUALITY COMES FIRST

These leading veterinarians agree: Quality medicine and service will take top priority this decade. That means new demands for you, including developing a unique market niche, charging your worth, and improving your staff.

A special VETERINARY ECONOMICS roundtable

Nine of your colleagues met last February at the Western States Veterinary Conference in Las Vegas. Among the topics they discussed: Trends affecting the profession as it moves into the 1990s. These trends are likely to sway your earnings—for the better, if you're ready; for the worse if you're not. To give you more insight into where earnings stand now, we've also included statistics from our financial survey. Practice management editor Dr. Ross Clark moderated the following discussion.

Dr. Clark: What trends—in management or marketing—are becoming evident in the profession?

Dr. Richard Thomes, small animal practitioner, Irving, Texas: In management, I'd say we're seeing more hospital administrators. I think this decade's number-one need on the professional front is for well-trained individuals to come into larger practices and truly administer them. I mean totally—veterinarians and paraprofessional staff.

In our market area, I foresee a major loss of income from vaccinations, spays, and neuters. That's because of the new mobile clinics that have been set up to offer these services at low cost. In our area, they come in every Saturday. We've got them in our pharmacies and grocery stores. Plus, you can get prescription drugs from these mobile units.

I think practices that depend primarily on vaccinations or the services that go along with vaccinations are really going to be hurt. What we've got to focus on is offering the best service to each and every client and on not making judgments for the client. Let the *client* decide what level of care he or she wants for the pet.

Recognizing this, I think we've got to look at staff enhancement. You've got to pay your people well; I believe such a philosophy works well in our practice. We have a varying scale, and we try to measure the intangibles as well as the tangibles. We have one veterinarian on staff now who spends half his time making sure we are offering each client the best service, following up with them, and documenting everything properly. He's getting $30 an hour, and he's got to devote a minimum of 20 hours a week doing these functions. The key is, I think we've got to work with each client and offer them the best; if we don't, someone else will. It's up to us to lead

the rest of the profession into an age where a consistent client base is our gold mine.

Dr. Thomas E. Catanzaro, Hospital Services Director for the American Animal Hospital Association (AAHA), Denver, Colo.: We're all aware that there is the quantity practice at one end of the scale and the quality practice at the other end. When I got out of school, most everyone was in the middle trying to do all things for all people. You need to work within your own comfort zone in the 1990s—to carve your market niche. There are enough people out there—we don't need everybody in town. I know of a three-doctor practice that employs a neurologist two days a week, and the appointment log is filled. How do you do that? You carve that niche; you become known for that specialty. You do the usual in the unusual way, or do the unusual as if it were usual. And you share that with clients.

We're going to see, during the 1990s, a market segmentation in most of the urban areas based on different philosophies of practice. In rural areas, we still see new competition affecting the catchment area. Let's say a new practice comes in and the new veterinarian says, "Tell me what your spay prices are and I'll go $5 higher so I don't compete with any of you." That one move draws in a higher level of clients, and he doesn't have to work as hard. Instead of having spays as a loss leader, which is a misnomer in

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SURVEY RESULTS

WHAT'S YOUR STATUS?

Partnership has its rewards. The figures below reflect take-home compensation only. They don't include any profits reinvested in the practice.

Business status	Net income
Partner in multidoctor practice	$59,400
Solo practitioner	$54,100
Employed veterinarian	$33,300

All figures are 1989 means (averages).
Net income figures represent individual income of full-time practicing veterinarians and are tabulated after tax-deductible expenses but before taxes.

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SMALL ANIMAL PRACTICES MOST LUCRATIVE

The figures below specify *total* practice gross income. The average number of veterinarians per practice is 2.7.

All DVMs	$363,700
Small animal	$395,600
Mixed animal	$319,300
Large animal	$351,600
Equine	$327,900

All figures are 1989 means (averages).

veterinary medicine because we don't do K-mart blue-light specials, he's making the *natural* search, and the procedure pays for itself. We see it over and over again.

In a place like Colorado—with no heartworms, no fleas, no internal parasites—how do you practice? The idea is that you practice quality medicine. You carve your niche—and there it is. We're going to see that if clients are confident with their veterinarians' capabilities, then they're going to bond to those practices.

Dr. Dennis McCurnin, Veterinary Teaching Hospital, Colorado State University, Fort Collins, Colo.: I think the 1990s are going to be very exciting. Veterinary medicine will continue to become more specialized, as it has during the past 10 or 15 years. I think we're going to become more specialized by species as well as by medicine. For example, a veterinarian may not be a board-certified specialist, but he or she may develop an area of special interest—say, in a particular species. Veterinarians are going to limit themselves rather than trying to do everything for everybody.

In the 1990s, the focus will be on health rather than disease. We've always treated sick animals; now we've started to move into preventive medicine. Growth areas include dentistry, in-house laboratory testing, and nutrition.

I would agree that the emphasis is going to be on quality, not quantity. We have to charge a fair fee for what we do and offer quality service. I think we have to develop incentives—otherwise we are not going to have a proper support staff, and we're not going to be able to hire veterinarians. We've given too much stuff away, and that is due to a perception we have in this profession that clients won't spend much money on their pets. If we do not change this perception, we won't be able to pay for and keep quality employees.

We can change the perception if we understand the human/animal bond and our place as veterinarians in the health-care system today. We are truly a part of that system now, because we treat pets that are considered family members. If we understand and believe that, then we can charge a proper fee and also develop an incentive system that will allow us to pay people better.

Finally, I think we'll also see more full-service hospitals, those providing boarding, grooming, nutrition, and the other services that clients want and demand today. Because many of our clients are single parents or are of multiple-wage-earner families, they have very little time. They don't want to shop four or five places. They want to go to one place. They'll go to the practice that affords that opportunity. Not only will we provide full service, we'll strive to provide service over the animal's entire lifespan, from prepurchase counseling to bereavement counseling.

Dr. Gary Johnson, small animal practitioner, Oradell, N.J.:

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SURVEY RESULTS

WHAT YOU MAKE—AND WHEN

Years in practice	Net income
Less than 2	$26,300
3–5	$33,600
6–10	$48,900
11–20	$61,800
More than 20	$62,300

All figures are 1989 means (averages).
Net income figures represent individual income of full-time practicing veterinarians and are tabulated after tax-deductible expenses but before taxes.

I think the fee structure has been the primary factor holding us back from offering the services clients want. I pay my lawyer and accountant $175 an hour. Veterinarians think they cannot charge $50 for an office consultation. We're not approaching our fee structure the way other professionals do who have less invested in both education and facilities.

If they find the finances, veterinarians are almost unlimited in the services they can offer. Twenty-four-hour nursing care is a very popular service our hospital offers, but we find that staffing these shifts with competent people is difficult and costly. Quality practice with expanded hours is a winning combination, but fees must be adequate to cover the added expense. Veterinarians will never be able to attract and keep good support staff with the salaries we have traditionally paid.

Dr. Terry Roberts, small animal practitioner, San Diego, Calif.: In California, the shopping-center practices are running into problems because strip centers change hands so often. Each time a new owner examines the center's traffic flow and finds the veterinarian lowest on the list, they'll take him out and put in a Blockbuster Video. Many of these veterinarians' leases are being reduced from 10 years to two years; some of them are on a month-to-month right now. Where are they going to go? A lot of them have been there eight to 10 years. They are not ready to retire—where are they going to go? They are not going to move into another shopping-center facility. They are going to look for a freestanding facility that will accommodate two to four veterinarians.

There is also something that's available that hasn't been mentioned. Many veterinarians are becoming involved with the American Boarding Kennels Association. What AAHA did for the practitioner, the ABKA is doing for the owner of the boarding facility. I admire their professional standards. They are doing it right, avoiding the trial-and-error method that seems to be so popular with veterinarians.

When I joined ABKA when it was founded 10 years ago, I was the only veterinarian. Now there are more than 100. I think that gives you some hard evidence of where things are going. I admire the ABKA for being so available.

Dr. Louis Hartjen, retired veterinarian, now a partner with Dr. Roberts, San Diego, Calif.: I would like to speak about shopping-center facilities again, because I am involved in leasing shopping-center space. In California, we won't write a lease for longer than three years. There's a sound reason for this, based on the economy. The economy has gone up, so the cost of the building has gone up, and so rental values have

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SURVEY RESULTS

HOW'S YOUR ACTIVE CLIENT BASE?

Net income rises with your active client base. Here, "active" clients are defined as those who have visited the practice at least once in the past two years.

Active clients	Net income
Less than 1,000	$42,300
1,000–1,999	$43,400
2,000–2,999	$45,700
3,000–3,999	$60,900
4,000 or more	$63,100

All figures are 1989 means (averages).

Net income figures represent individual income of full-time practicing veterinarians and are tabulated after tax-deductible expenses but before taxes.

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SURVEY RESULTS

ARE YOU ON A TREADMILL?

Working more hours, it seems, does not guarantee a fatter bank deposit. In fact, those veterinarians who work *less* than 40 hours per week show an average net higher than those who work *more than* 40 hours.

Solo practitioners work an average of 53.6 hours a week, while partners in a multipartner practice average 53.7. Employed veterinarians work a mean of 51.9 hours per week.

Hours per week	Net income
Less than 30	*
31–40	$57,700
41–50	$49,200
51–60	$54,800
61–70	$51,500
More than 70	$45,600

All figures are 1989 means (averages).

Net income figures represent individual income of full-time practicing veterinarians and are tabulated after tax-deductible expenses but before taxes.

*Base is insufficient.

gone up much more rapidly. If you get locked into a 10-year lease with a couple of five-year options, you, as an owner of a strip center, have got a problem. We will only write options into a lease that contain fair-market-value rental adjustments. We will not go beyond three years with anything that does not have a fair-market-value adjustment. We will not write anything that does not have an annual CPI in it.

Say a young veterinarian comes into a shopping center and says "I want 10 years." Well, the lessor says "Adios." The veterinarian has got to put maybe $75,000 worth of tenant improvements in there for three years, and he's afraid he won't make enough money in three years to support that. The time when lessors really courted you and gave you 10-year leases with a couple of five-year options is gone in California.

Dr. Lawrence Zarrilli, small animal practitioner, Irvine, Calif.: As a service-oriented profession, I believe we must continually strive to meet the needs of our clients. We are seeing more and more households where both husband and wife work. We need to be sensitive to their time constraints as well as our own. Being available to our clients when they are off work is an important part of our practice growth. More practices will be extending office hours for early morning drop-offs, evening office hours, and Sunday appointments.

I also believe that client education through audiovisuals has been a very important practice builder for us. We use videotapes in each exam room and in the reception area. We need to educate the public about what veterinary medicine can offer. We also need to educate the new veterinarians coming out of school—especially in the area of business management—so they don't feel guilty about charging for their services. We have to increase our fees to the point where we can afford to pay

veterinarians and our staffs what they deserve.

Another trend with hospitals is to offer as many different animal-related services for the "one-stop" convenience of the pet owners. We've already discussed boarding and grooming, which can be excellent practice builders. I also see hospitals developing their own low-cost vaccine and spay/neuter clinics to compete head-to-head with those services offered by mobile clinics, humane groups, animal shelters, pet stores, and certain individual veterinarians. Pet owners, humane groups, and city officials perceive a need for these low-cost vaccinations and spay/neuter clinics. As responsible veterinarians, we must respond to those perceived needs, and show the public that we do care.

Dr. Ronald E. Whitford, mixed animal practitioner, Clarksville, Tenn.: I believe we'll see more emphasis on services and less emphasis on merchandising. Many people are already starting to look at the net instead of gross —evaluating a percent of returns. We're going to see an increased emphasis on staff training. In fact, I recommend that for the next veterinary conference, you stay home and send your staff. I think we'll see other practitioners, consultants, whatever, brought in to work with the staff—to train the staff—because veterinarians will depend more and more on their employees for the marketing.

I also think we'll have a lot more third-party evaluation of hospitals—practitioners going in and just giving a third-party opinion because that fresh look means something. There will still be a need for consultants who do total evaluations, but there are good managers out there who don't need full evaluations. They'd just like to get some fresh input.

I think you're going to see spay/neuters become a marketing tool. And that's exactly what I recommend, because until they're in the door they'll never even have the opportunity to see what you can do. If you're going to market something or advertise, why not advertise in the form of beating the competition in spay/neuters *vs.* a billboard or a Yellow Page ad? The people you'll reach are a target market group. We know they're willing to spend *some* money on veterinary care.

The average hospital will be able to perform in-house lab testing—doing CBCs and lab profiles within the time of an office visit. All these things will bond the client to the practice. I think veterinarians will become interested in upgrading our profession, especially as young people realize that quality is the name of the game. In addition, we're going to see more referrals to people working in other parts of the pet industry—working with pet stores, groomers, and breeders. We'll learn to develop a good relationship and to help each other.

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SURVEY RESULTS

MORE TRAFFIC, MORE MONEY

As you would expect, veterinarians who see the most clients per week bring home the highest net income. Client visits include in-office visits as well as house and farm calls.

Net income	Client visits per week
Less than $30,000	75.9
$30,000–$49,000	97.4
$50,000–$69,000	113.6
More than $70,000	140.9

All figures are 1989 means (averages).
Net income figures represent individual income of full-time practicing veterinarians and are tabulated after tax-deductible expenses but before taxes.

Dr. Thomes: Two things we haven't mentioned are demographics and psychographics. I think psychographics in particular are going to be extremely important. Veterinarians are realizing they must know what their clients want. More will send out questionnaires on a weekly or biweekly basis. Asking the clients for input about your practice will help lead the practice to where you want it.

One other important service that will gain impetus is behavior counseling. I heard someone recently make the statement that 30 percent of all people who purchase new puppies don't have that puppy by the time it's a year old. Why did they get rid of it? Because of some behavior problem that its veterinarian didn't attend to and the client didn't know how to correct. That means one- third of the puppies we treat will be gone in a year. We've got to attend to those behavior problems.

We have a questionnaire in our hospital, and more than 40 percent of our clients ask about behavior problems. Have our doctors in the past focused on it? No. If a client came in with an animal that was vomiting, the doctor just attended to that problem. Now, however, we attend to the *whole* picture. If we don't have the time to ask clients about behavior problems, we refer them to a doctor on the staff who has a special interest in behavior. The client makes a subsequent appointment and comes in, gets the problem taken care of, and goes home happy.

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SURVEY RESULTS

THE VIEW FROM THE TOP

Here is a statistical profile of veterinarians who report net incomes of $70,000 or more. Of these doctors, 47.7 percent are solo practitioners; 30.4 percent are partners in a multidoctor practice; and 3.6 percent are employed veterinarians. The remaining 18.3 percent categorize themselves as "other."

Number of hours worked per week
52.3

Total number of client visits per week
140.9

Number of active clients in the practice*
4,196

Average number of years in practice
17.4

Percent who are male
89.6

Percent who are female
10.4

All figures are 1989 means (averages).

*"Active" clients are defined as those who have visited the practice at least once in two years.

Dr. Clark: I think I can sum up this discussion by saying we should take the high road and the quality road—because that's what our clients want. They want a return on their investment. That's come out over and over in this roundtable. Whether you're going to be in boarding, grooming, or veterinary medicine, quality seems to be the word of the day. And I'd say that's good news for our profession. ■

CAN YOU SPOT THE BAD APPLES IN YOUR EMPLOYEE BARREL?

The author says that an employee's basic motivation for working in your practice indicates how much and how well that person will do. Use these guidelines to classify who is working for you—and *why*. Part one of two.

By Donald R. Dooley

Most businesses have two types of employees: Those who come to work for the money and those who come to work for the work. Of course, there are many other ways to classify the people who work for you, but we'll concentrate here on *why* employees take a job.

In addition to their basic motivation, there is another major difference between the two groups described above: Those who come for the money have to be *made* to work, while those who come for the work have to be *allowed* to work. If you stand back and let your money-motivated employees work on their own, you may find that they won't. If, however, you try to *make* the work-motivated employees do their jobs, you may find that they resent your efforts and become nonproductive.

Do you know which of your employees are there to work—and which are there for the money? To find out, study three personality traits in each person: motivation, attitude toward outside interests, and attitude toward the job. ▶

THE AUTHOR is a veterinary practice management consultant in Los Gatos, Calif.